

AMENDED IN ASSEMBLY JANUARY 6, 2014

AMENDED IN ASSEMBLY APRIL 30, 2013

AMENDED IN ASSEMBLY APRIL 4, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1260

**Introduced by Assembly Member Medina
(Principal coauthor: Assembly Member V. Manuel Pérez)**

February 22, 2013

An act to add Section 27 to the Government Code, relating to businesses.

LEGISLATIVE COUNSEL’S DIGEST

AB 1260, as amended, Medina. California family owned business.

Existing law provides various definitions for various purposes.

This bill would define a California family owned business for purposes of the Government Code.

Vote: majority. Appropriation: no. Fiscal committee: no.

State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares the following:
- 2 (a) In 2007, California was home to 1.4 million family owned
- 3 businesses, which employed nearly 7 million people.
- 4 (b) Both large and small family owned businesses have been
- 5 recognized through numerous academic studies as having unique
- 6 characteristics. Those studies verify that family owned businesses
- 7 invest more in their employees in terms of training and benefits,

1 promote more women to high-level management positions, and
2 are less likely to lay off employees or downsize in tough economic
3 times.

4 (c) California family owned businesses continually demonstrate
5 extraordinary commitment to the communities in which they
6 operate because they are headquartered in the state. California
7 family owned businesses have been shown to engage in high levels
8 of local, community-based philanthropic giving, and are strong
9 stewards of the environment by virtue of their long-term
10 perspective and sense of duty to past, present, and future
11 generations within the state.

12 SEC. 2. It is the intent of the Legislature to enact legislation
13 that would aid, counsel, assist, and protect, ~~to the maximum extent~~
14 ~~feasible~~, the interests of California family owned businesses in
15 order to preserve free competitive enterprise and support family
16 owned enterprises.

17 SEC. 3. Section 27 is added to the Government Code, to read:

18 27. (a) For the purposes of this code, “California family owned
19 business” means a business that ~~is independently owned and~~
20 ~~operated as a privately held enterprise by members of a family or~~
21 ~~a partnership of families that maintains its principal office in~~
22 ~~California, has been in business for more than 10 years, and meets~~
23 ~~both all of the following requirements:~~

24 ~~(a) Strategic influence, including, but not limited to, being active~~
25 ~~in the management, continuing to shape the culture of the business,~~
26 ~~or serving as board members or advisors, is exercised by family~~
27 ~~members on the management of the business.~~

28 ~~(b) The business is able to demonstrate continuity across~~
29 ~~generations or the intent for continuity across generations.~~

30 ~~(1) Is independently operated as a privately held business by~~
31 ~~family members.~~

32 ~~(2) Maintains its principal executive office in California.~~

33 ~~(3) Has been in business for more than 10 continuous years.~~

34 ~~(4) Is conducted by a sole proprietorship owned by a family~~
35 ~~member domiciled in California, or by an entity in which family~~
36 ~~members domiciled in California hold at least 20 percent of the~~
37 ~~equity interests.~~

38 ~~(5) A family member or members exhibit strategic influence and~~
39 ~~control of the business that is conducted by the sole proprietorship~~

1 *owned by a family member or an entity in which family members*
2 *hold a majority of the voting interest.*

3 *(6) Demonstrates an intent to continuously operate as a family*
4 *owned business in the future through any of the following:*

5 *(A) Present ownership by multiple family members.*

6 *(B) A previous transfer of ownership or equity interests between*
7 *family members.*

8 *(C) Is subject to a written agreement providing for a future*
9 *transfer between family members provided that the agreement was*
10 *executed in good faith.*

11 *(b) For the purpose of this section, “family member” includes*
12 *a person who is related by a common ancestor, pursuant to state*
13 *or federal law up to four generations. Any person related by*
14 *greater than four generations is included if his or her ownership*
15 *or operational involvement arose from an exercise of continuity*
16 *across generations as described in paragraph (6). A family member*
17 *also includes a person that qualifies as related in accordance with*
18 *the rules for determining relationship and inheritance rights for*
19 *purposes of intestate succession according to Section 21115 of the*
20 *Probate Code.*